

## Finance

### FY 2011

#### Contribution to Montgomery Results

A Responsive, Accountable County Government

A Strong and Vibrant Economy

#### Finance At-A-Glance

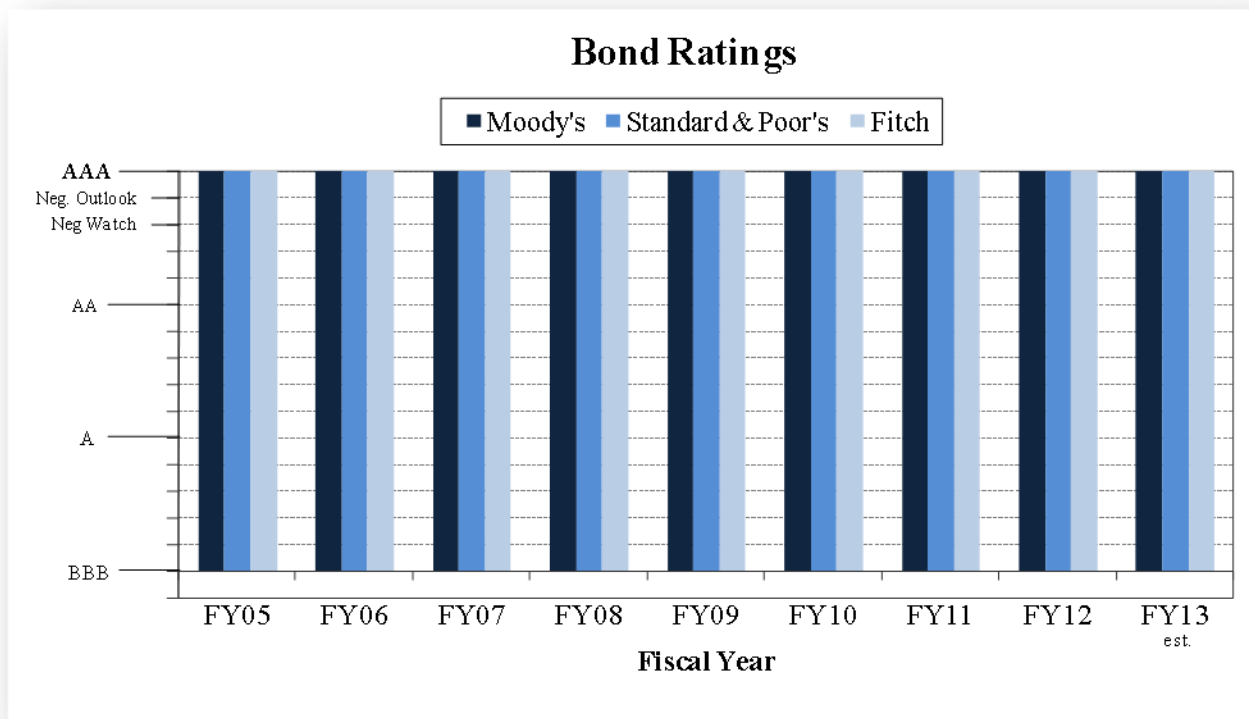
What Finance Does and for Whom	How Much
Overall Departmental Function: The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.	<ul style="list-style-type: none"> <li>Total: \$57,488,960</li> <li>Total: 102.9 WYs</li> </ul> <p>(in addition there are 20.2 WYs also dedicated to the ERP, Pension Admin., &amp; EDF</p> <p>Total Employees: 114</p>
<p>Major Function #1: Sound Financial Management</p> <p>Manage the County's revenues, expenditures, assets, investments, and outstanding debt.</p> <p>Develop and promulgate sound fiscal policies, and provide consultation and advice to departments and agencies on a wide range of fiscal matters.</p> <p>Advise the County Executive and County Council on fiscal policy matters, impacts of legislative actions, appropriate approaches to fiscal decisions, and benchmarking against other jurisdictions.</p> <p>Maintain the County's AAA bond rating.</p> <p>Actively manage the County's working capital.</p> <p>Identify bond refunding opportunities.</p> <p>Promote the County's procurement card</p>	<ul style="list-style-type: none"> <li>\$5,582,780</li> </ul> <p>35.9 WYs</p> <p>Annually make a presentation to the three major bond rating agencies and provide updates as necessary.</p> <p>Raise \$359 million in debt and lease financings for operating and capital budgets.</p> <p>Regularly review opportunities for bond refundings in conjunction with market changes.</p> <p>Invest the County's \$500 million average balance investment portfolio and bank accounts.</p> <p>Process 19,000 purchase card transactions generating \$82,771 in rebate revenue.</p> <p>Produce 720 grant reports.</p> <p>Produce all financial reports in accordance</p>

<p>program.</p> <p>Provide regular financial reports, revenue updates, economic updates and continuing disclosure for County bonds.</p> <p>Achieve the GFOA Certificate of Achievement for Excellence in Financial Reporting.</p>	<p>with applicable standards.</p> <p>Annually receive the GFOA certificate for the CAFR.</p>
<p>Major Function #2: Customer Service</p> <p>Provide services to external and internal customers such as taxpayers, vendors, employees, and core business system users through the processing of payments and receivables, answering customer inquiries and providing proactive communications to the County's residents, taxpayers, and to our internal and external business partners.</p>	<p>\$4,709,190</p> <p>40.1 WYs</p> <p>Bill 361,784 property tax accounts, collecting \$1.4 billion in property tax revenue.</p> <p>Mail 27,000 delinquency notices and reminders.</p> <p>Respond to, and successfully close 2,506 service requests made by MC311, and serve 3,000 visitors.</p> <p>Process 22,011 transfer office transactions.</p> <p>Process nearly 95,000 cashier transactions.</p> <p>Issue 291,654 paychecks and payroll advices.</p> <p>Issue 113,000 vendor payments and process 19,000 procurement card transactions.</p> <p>Prepare 3,200 payment vouchers.</p> <p>Prepare 1,700, and review and post 3,200 journal entries.</p> <p>.</p>
<p>Major Function #3: Promote a Safe &amp; Healthy Work Environment</p> <p>Ensure the safety of our employees, volunteers, and visitors through the promotion of a safe and healthy work environment for County employees.</p>	<p>\$47,196,990</p> <p>26.9 WYs</p> <p>Conduct 151 training classes.</p> <p>Review 234 self-inspection reports.</p> <p>Review 7,185 contracts for adequate insurance coverage.</p> <p>Use County leverage and industry</p>

	knowledge to avoid excess insurance costs.
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## Performance

### Headline Performance Measure #1: Bond Rating



## Story Behind the Performance

### Contributing Factors

Finance actively seeks to keep rating agencies apprised of economic and revenue conditions in the County and in the region.

Adoption of enhanced fiscal policies that strengthen reserves, limit use of one time revenues, and other prudent financial policies that support the AAA credit rating.

Finance works with OMB and other agencies that contribute to maintaining the bond rating.

### Restricting Factors

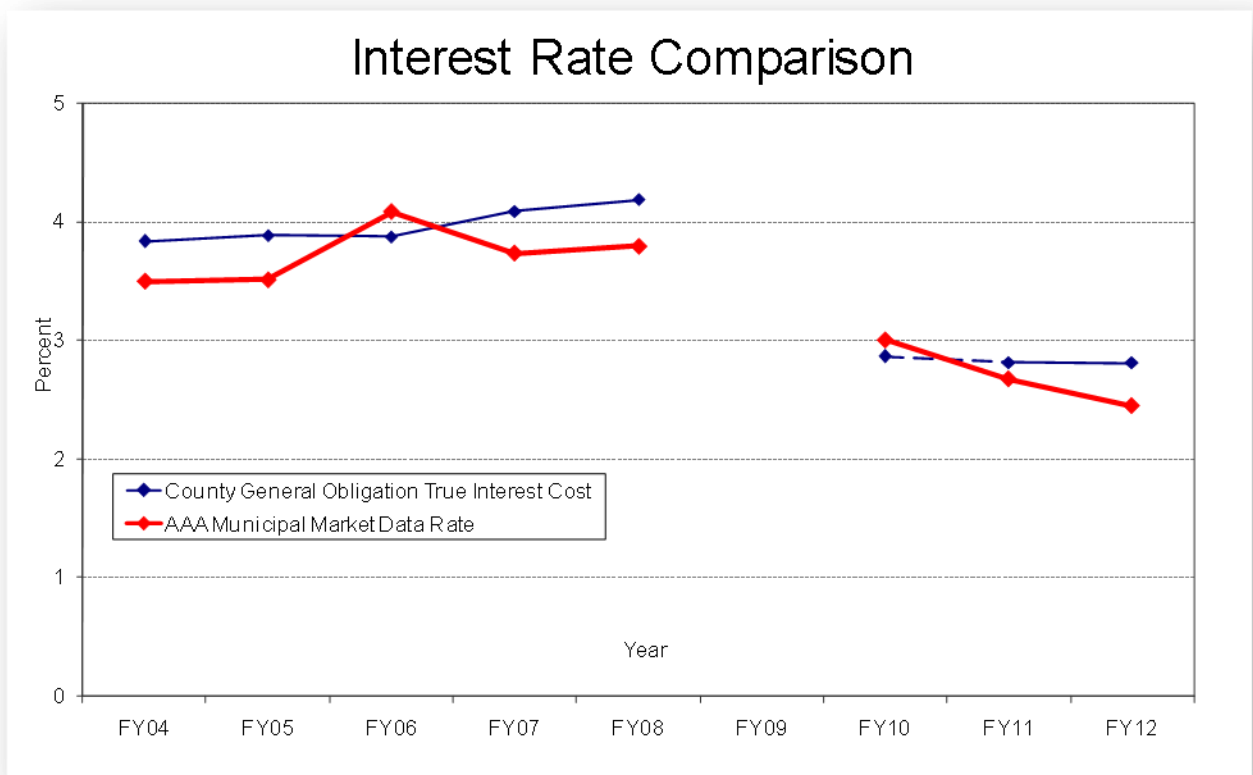
Deterioration in local revenue sources including income tax, property tax assessments, transfer and recordation taxes, investment income, and state aid due to regional and national economic challenges

(increases in unemployment and continued stagnation in the residential and commercial real estate markets).

### What we propose to do to improve performance

Develop improved communication tools, such as economic indicator dashboard and focused November Revenue Update presentation, to educate decision makers on the fiscal workings of the County and the impact of various policy decisions.

### Headline Performance Measure #2: Interest Rate Benchmarking



Basis Point Spread					
FY07	FY08	FY09	FY10	FY11	FY12
35	39	N/A	(14)	14	36

### Story Behind the Performance

#### Contributing Factors

Sound financial management and reputation.

Multi-year fiscal planning.

Stability in the bond markets.

Demand for high quality municipal bonds.

#### Restricting Factors

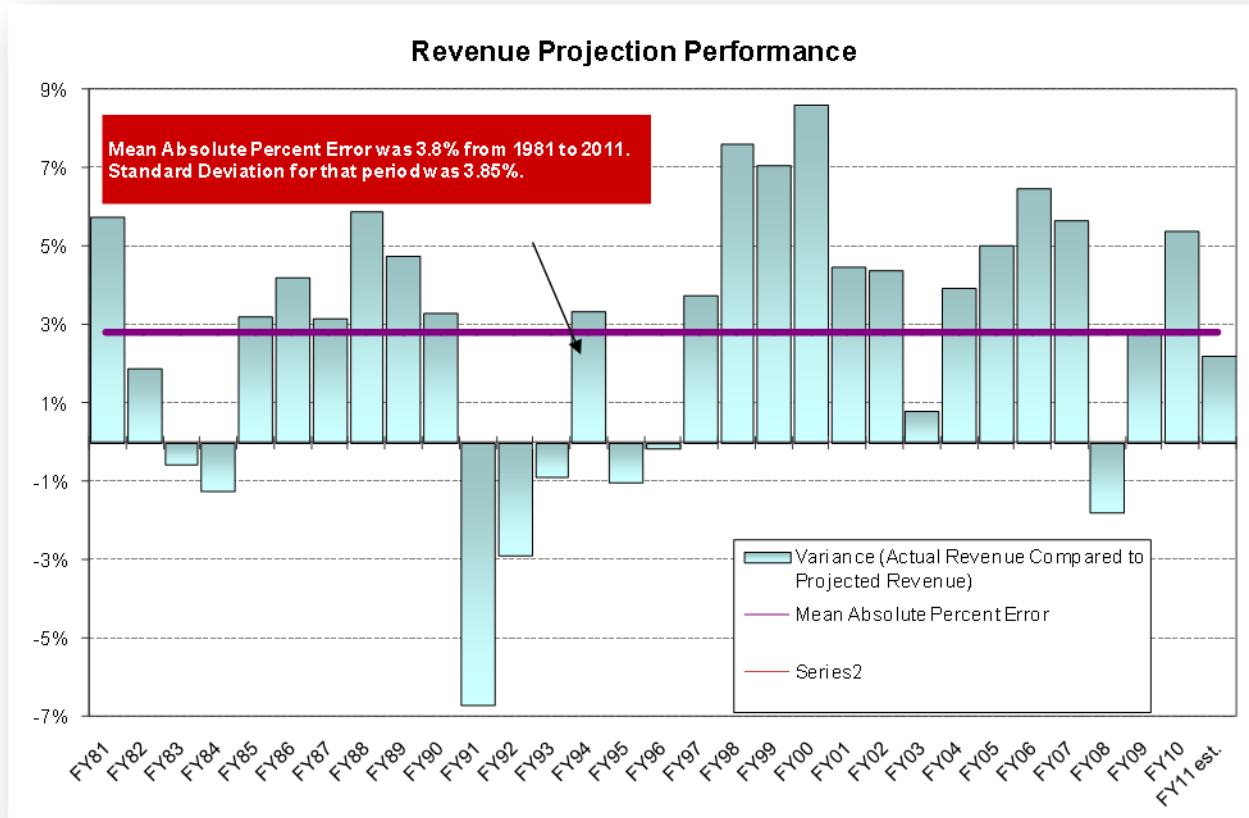
Indirect linkage with federal government sector and perceived impact of budget reductions on local economy by credit rating agencies.

#### What we propose to do to improve performance

Continue to advocate for fiscal policies and budget strategies that Allow the County to access the lowest possible interest rates.

Continue to identify refunding opportunities as they occur.

## Headline Performance Measure #3: Revenue Forecasting



## Story Behind the Performance

### Contributing Factors

Review additional data to perform independent and comprehensive forecasting of key economic indicators.

Perform quarterly budget surveillance for all departments.

Monitor revenue sources and perform intra-year updates.

Stable but slow growth in the underlying economy.

Holding fiscal policy constant over time.

Maintain and analyze current and reliable demographic, economic, and financial data.

Monitor foreseeable changes to federal, state and local tax policies.

### Restricting Factors

Additional duties and assignments detract from research and revenue forecasting activities.

Unanticipated changes...

In national economic and financial activity,

In international economic and financial activity,

In federal procurement and employment,

In County, federal and state tax policies,

In socioeconomic characteristics of the County's population,

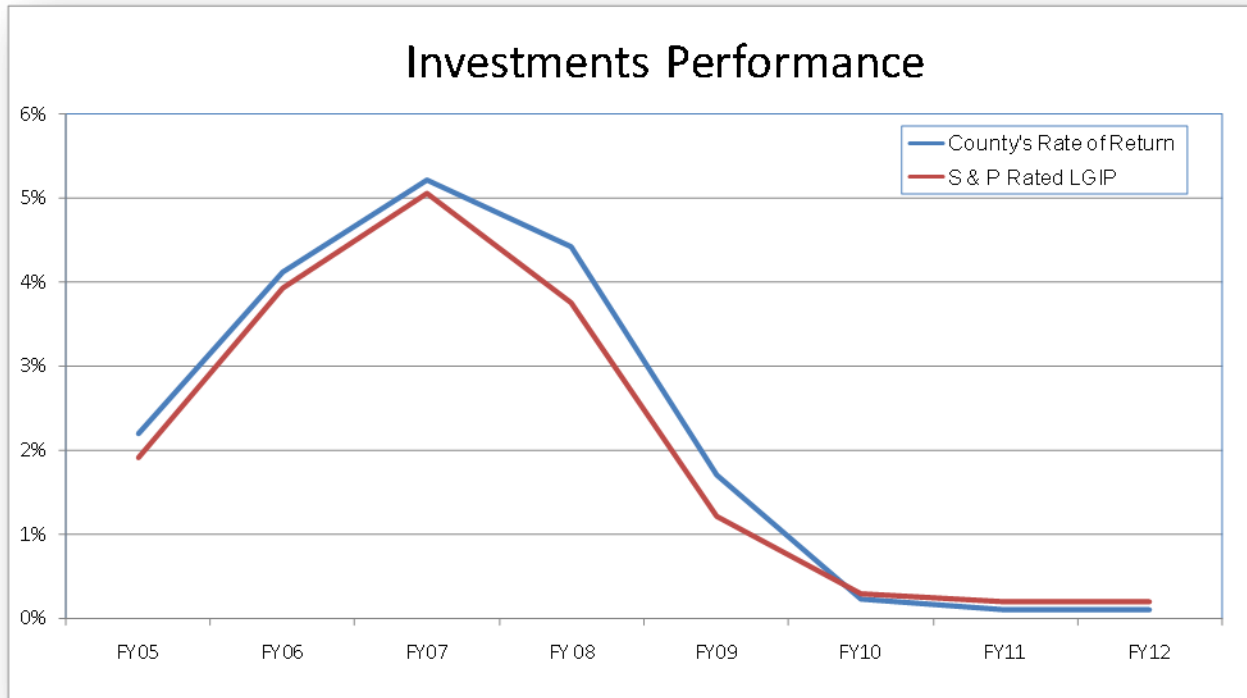
In money market interest rates resulting from policies of the Federal Reserve System.

Revisions to baseline economic and financial data by external sources.

What we propose to do to improve performance

Continue to identify sources of supplementary information, such as additional detail on income taxes from the State Comptroller that can help improve understanding of revenue distributions and add to the accuracy of future revenue projections.

## Headline Performance Measure #4: Investment Returns Benchmarking



County's Investment Income Compared to Investment Income @ Local Government Investment Pool (LGIP) Rate							
	FY05	FY06	FY07	FY 08	FY 09	FY 10	FY 11
County Avg. Annual Portfolio Balance	\$710,178,799	\$883,587,953	\$930,855,484	\$971,351,346	\$695,692,000	\$530,381,000	\$322,867,000
County Annual Investment Income	\$15,552,916	\$36,403,824	\$48,497,571	\$42,836,594	\$11,896,333	\$1,166,838	\$322,867
County Investment Income @ LGIP Rate	\$13,564,415	\$34,636,648	\$47,008,202	\$36,425,675	\$8,417,873	\$1,591,143	\$645,734
<b>Additional Income v. LGIP Rate</b>	<b>\$1,988,501</b>	<b>\$1,767,176</b>	<b>\$1,489,369</b>	<b>\$6,410,919</b>	<b>\$3,478,460</b>	<b>-\$424,305</b>	<b>-\$322,867</b>

## Story Behind the Performance

### Contributing Factors

- Active management of the County's portfolio.
- Maintain and monitor compliance with formal Investment Policy.
- Access to quality, timely market information.

### Restricting Factors

- The level of staffing limits the research that could be done to enhance performance.
- Additional duties and assignments detract from dedication to investment activities.
- Declining cash balances limit flexibility and capacity for market investments

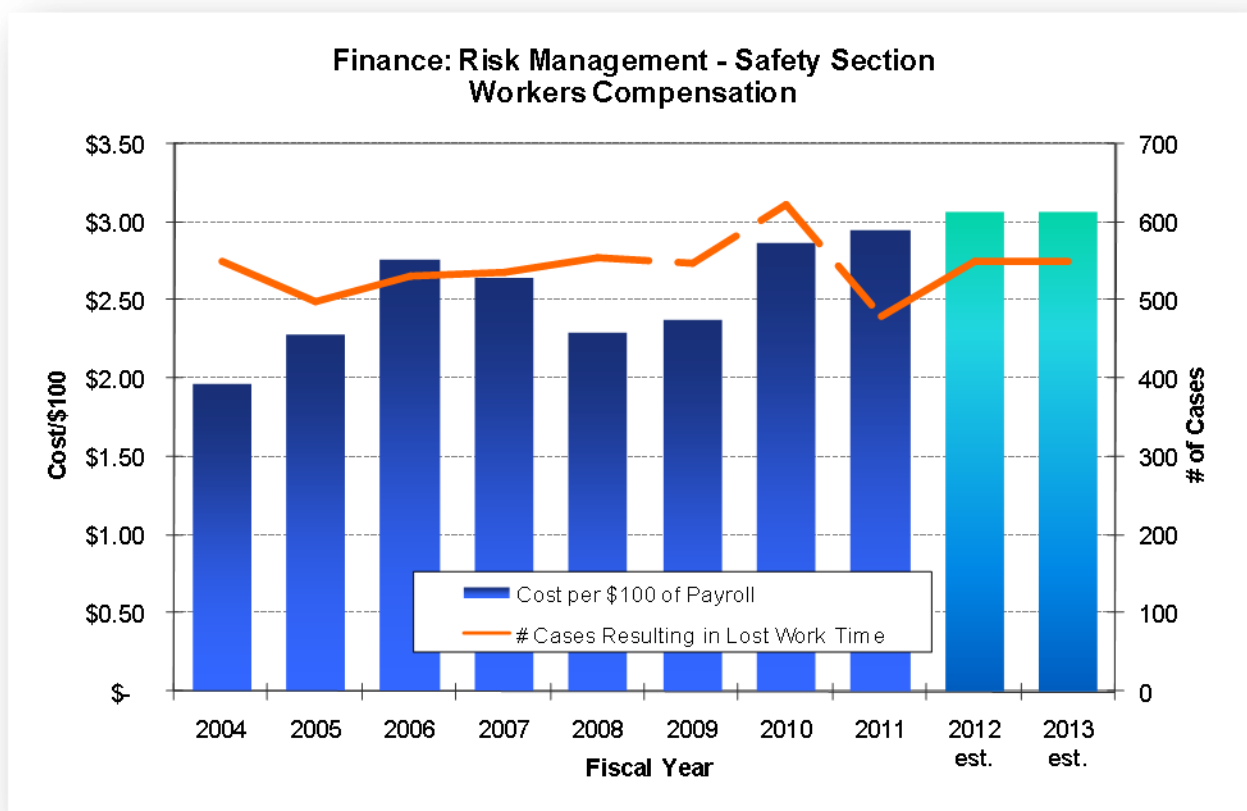


Historically low money market interest rates resulting from policies of the Federal Reserve System.

### What we propose to do to improve performance

In the current economy and liquidity situation, we are severely restricted from obtaining higher returns. This situation will likely continue through FY12 and into FY13.

### Headline Performance Measure #7: Workers Comp – Cost per \$100 of Payroll; and Measure #8: Number of Workers Comp Cases Resulting in Lost Work Time



### Story Behind the Performance

#### Contributing Factors

Conduct an annual self inspection of all facilities to identify potential hazards in the work environment and develop action plans to correct deficiencies.

Re-investigate injury reports to identify root causes and provide best practices guidance to departments to prevent reoccurrence.

Provide specific and timely training to employees on safety topics related to their job functions.  
Cooperation and support from departments in ensuring the safety of the work staff and environment.

### **Restricting Factors**

Wage replacement benefits increase each year based on the State average weekly wage.

State Legislation that expands benefits.

Medical inflation is trending higher than other overall inflation.

The Maryland Worker's Compensation Commission has trended in recent years towards granting higher awards of compensation for permanent partial disability benefits.

Departments are notified of their loss experience on a quarterly basis, but Safety Academy courses are under-utilized by departments who have poor loss experience.

### **What we propose to do to improve performance**

Thanks to the focus on this issue through the CountyStat dedicated sessions, we continue to work with departments to address several of the restricting factors noted above.

### **Appendix A: Budget**

- The Department believes it can implement proposed strategies within existing, total resources. However, this will require active management of the budget to time the filling of existing vacancies so surplus personnel funds can be redeployed to address other priorities including IT system implementation, completion of CAFR and other unanticipated needs.

### **Appendix B: Implementation**

- Strategies proposed above are process oriented rather than project based and will be implemented throughout FY12 and FY13.

### **Appendix C: Data Development Agenda**

- n/a

### **ADDENDUM: Overarching Goals for Responsive and Sustainable Leadership**

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified the following overarching goals for all County departments:

#### **1) Collaborations and Partnerships:**

Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures. Please only list accomplishments that had positive results for other department(s) as well.

- Technology Modernization Project including ERP, HR, Hyperion, MCTime, and 311
- BI Tool: Development of ERP based reports in conjunction with other departments to provide reliable management reports

- HIPAA Task Force: aligning County processes, systems, and procedures with federal law
- Working Group with County Attorney, DED, and Local Community Banks on investment of County funds to produce a competitive rate of return
- Participation on Maryland GFOA Debt Affinity Groups to promote professional development and adoption of best practices in debt issuance and management
- Energy Performance Contracting: Collaboration with DGS to provide financing for energy efficiency projects in County facilities
- Special Financings: Finance partnered with Liquor Control, Housing and Community Affairs, and Metrorail Garages for nearly \$100 million in financing for special projects during FY11.
- Accounts Receivable Task Force: Collaboration with other departments to align departmental revenue collection and administration procedures with processes embedded in ERP system to ensure accurate booking of revenue and expedite account reconciliation
- Legislative review and analysis: collaboration with County Attorney, OMB, DPS, HCA, DOT and other departments to respond to Executive and Council legislative initiatives on impact taxes and other fiscal policy changes to research practices in other jurisdictions, assess long term revenue, expenditure, and economic impact; and suggesting amendments in legislation to address drafting, policy, or fiscal issues identified
- Master/Sector Plan Analysis: Partner with DGS, OCE, OMB, DOT and other departments and agencies on the analysis of the economic and fiscal impacts of proposed land use plans or redevelopment projects including White Flint, Smart Growth Initiative,
- Transit Task Force: work with the TF, OMB, DOT, and Financial Advisor to develop a sound and feasible financing plan for all capital, equipment, and other debt eligible costs.
- Safety Program: Work with other operating departments in implementing best practices in work place environment and safety procedures to ensure a safe and secure workplace.
- Homestead Credit Exemption Enforcement: Collaborate with OMB, OHR, and the County Council to review and analyze property tax records to ensure compliance with requirements of this credit and ensure maximizing County revenues.

## 2) **Workforce Diversity and MFD Procurement:**

Department actively participates in the recruitment of a diverse workforce and enforcement of MFD procurement requirements.

- The attached Procurement report indicates that nearly one-third of the departments \$10.2 million in procurements in FY11 were with MFD firms
- The attached report on workforce diversity indicates:
  - The department has a greater percentage of women and racial minorities in the workforce than in the overall County workforce.
  - The Finance department rates exceptional in diversity in the overall workforce.
  - However, the diversity reflected in the overall workforce is not otherwise similarly reflected in the MLS ranks. To address this, the department has enhanced its

coordination with OHR to targets its recruitment efforts in a manner that will attract a more diverse pool of candidates for MLS positions.

3) **Innovations:**

Department actively seeks out innovative new technology and processes to improve performance and productivity.

- Using embedded functionality in Oracle ERP system to make W2's available on-line which reduces printing and mailing costs and enhances employee access to these documents.
- Upgraded on line pay advices using integrated module embedded in Oracle

4) **Effective and Productive Use of the Workforce/Resources:**

Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.

- a) *Compensatory Leave was down by over 20% in FY11, but Total overtime was up by 8.2% due to challenges related to the transition to the new ERP system.*
- b) *Finance had savings in the FY11 budget of over \$620,000.*

5) **Succession Planning:**

Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.

- a) *key positions/functions in your department that require succession planning:*
  - *Chief Operating Officer*
  - *Debt Manager*
  - *Chief, Division of Risk Management*
  - *Controller*
  - *General Accounting Manager*
  - *Investment Manager*
- b) *<XX% of those identified key position/functions have developed and implemented long-term succession planning> Finance will work with OHR during FY12 to develop long term succession plans.*

6) **Internal Controls and Risk Management:**

Department actively assesses its internal control strengths, weaknesses, and risks regarding compliance with laws, regulations policies and stewardship over County assets.

- a) Department reviews and implements Internal Audit recommendations in a systematic and timely manner: *<XX% of XX Internal Audit report recommendations were fully implemented by the department within 12 months of the audit report release> N/A*

- b) Department proactively manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation: *<List your accomplishments and/or expected results>*
- Conduct 151 employee and workplace safety training classes annually.
- Review 234 self-inspection reports on workplace safety.
- Review 7,185 contracts for adequate insurance coverage.
- Use County leverage and industry knowledge to avoid excess insurance costs.
- Participates actively in collective bargaining negotiations to ensure workers compensation and safety related provisions reflect best practices and cost effective arrangements for the County.

7) **Environmental Stewardship:**

Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.

- Making W2's available on-line reduced printing and paper usage. To date, over 3,000 employees have selected an on-line W2.
- Finance has reduced its paper usage by 46% since FY08 and print and mail costs by 58% over the same time period

8) **Mandatory Employee Training:**

Department systematically monitors and actively enforces employees' mandatory and/or required trainings.

- See Attached report. Efforts will be made in FY12 to complete all mandatory training.